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**MANAGEMENT INITIATIVE DECISION**  
**EXECUTIVE SUMMARY**

**Date:** December 24, 2002

**VERSION:** Signed

**MID #** 910

**MID TITLE:** Management Initiative Decision (MID) 910, Budget and Performance Integration (BPI) Initiative

**MID SUMMARY:** MID 910 expands the President's Management Agenda initiative on Budget and Performance Integration. MID 910 reinforces the effort to cascade responsibility for implementing the President's Executive Scorecard on the Budget and Performance Integration to the Components. It instructs the Components to associate performance metrics with resources in the FY 2004 and succeeding President's Budgets, and to continue reporting on metrics for selected programs reported in the FY 2003 President's Budget.

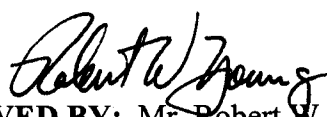
Each Component will be "graded" on its status and progress in:

- Displaying the linkage of plans-outputs-resources in budget justification materials.
- Expanding the treatment of metrics in the FY 2004 congressional justification materials.
- Establishing a quarterly system reporting on progress towards the performance goals.

**ARMY POSITION ON COORDINATING MID:** Concurred.

**RECOMMENDATION:** Accept Signed MID.

**MID POC:** Mr. Stephen Bagby  
**PHONE:** 614-5517

  
**APPROVED BY:** Mr. Robert W. Young  
**TITLE:** DASA(CE)

**COORDINATION:** Draft

**Office Symbol**

SAFM-BUO

DAMO-ZB

**Name**

Mr. Wes Miller

Mr. Don Tison

**Phone**

614-1645

697-1805

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**MID 910**

**TITLE:** Budget and Performance Integration Initiative

**DATE:** December 24, 2002

**DECISION:** The Deputy Secretary of Defense (approved the alternative estimate.

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**SUBJECT:** Budget and Performance Integration Initiative

**DOD COMPONENTS:** Under Secretaries of Defense, Principal Staff Assistants, Joint Staff, Military Departments, Defense Agencies, Field Operating Agencies.

**SUMMARY OF EVALUATION:** In Management Initiative Decision (MID) 901, "Establishing Performance Outcomes and Tracking Performance Results for the Department of Defense", on Performance Outcomes and Results, the Department is adopting a DoD-wide approach to establishing performance outputs and tracking performance results, based upon the Secretary's Risk Management Framework. This MID expands on one facet of this performance management system--the President's Management Agenda initiative on Budget and Performance Integration. To this end, the alternative:

- Reinforces the Under Secretary of Defense for Personnel and Readiness (USD(P&R)) led effort to cascade responsibility for implementing the President's Executive Scorecard on the Budget and Performance Integration initiative to the Component level.
- Instructs the Components to associate performance metrics with resources in the FY 2004 and succeeding President's Budgets.
- Instructs the Components to continue reporting on metrics for selected programs reported in the FY 2003 President's Budget.

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### **DETAIL OF EVALUATION:**

#### **President's Management Agenda (PMA) - Cascading of the President's Executive Scorecard**

The President's Executive Scorecard is published each year with the budget. It uses a standard "stoplight" chart (red/yellow/green) to rate federal departments' and agencies' status and progress toward achieving the five long-term reform goals of the President's Management Agenda (PMA):

- Strategic Management of Human Capital
- Competitive Sourcing
- Improved Financial Reporting
- Expanded E-Government
- Budget and Performance Integration (BPI)

The most recent Executive Scorecard grades the Department of Defense as "red" on current status for BPI and "yellow" for progress. This MID describes how the Department intends to improve its BPI status and progress toward a "green."

As a first step, the Department will "cascade" the OMB scorecard to all DoD Components. For BPI, this means that beginning in February 2003, each Component will be "graded" on its status and progress in:

- Displaying the linkage of plans-outputs-resources in budget justification materials.
- Expanding the treatment of metrics in the FY 2004 congressional justification materials.
- Establishing a quarterly system of reporting on progress made towards the performance goals.

#### **FY 2004 President's Budget - Performance Metrics**

For the Department to fully meet OMB's published criteria for BPI (see [www.whitehouse.gov/omb/circulars/all/2002/part6.pdf](http://www.whitehouse.gov/omb/circulars/all/2002/part6.pdf)), Components must ensure that their FY 2004 congressional justifications associate performance metrics with at least

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20 percent of the resources requested each year (FY 2004 through FY 2009).

These metrics should demonstrate how the Component will evaluate whether performance during the year of execution achieves the levels expected from the resource investment. In turn, congressional justification materials should indicate how individual programs link to the performance outcomes listed in MID 901 for the DoD Balanced Scorecard (BSC) risk management.

For the FY 2005 President's Budget, DoD Components will be required to associate 60 percent of the resources requested with performance metrics. In the FY 2006 budget, this requirement increases to 80 percent. For FY 2007 and beyond, 100 percent of the resources requested should be associated with performance metrics.

The alternative gives the DoD Components latitude in deciding how program-specific performance measures link to the performance outcomes listed in the BSC for risk management in MID 901. Accordingly, the instructions in this alternative will be reviewed and amended, as required, pending an assessment of component compliance for the FY 2004 budget.

This alternative does not prescribe a specific format for displaying BPI metrics in the FY 2004 justification materials. However, the Alternative recommends that DoD Components:

- Ensure performance metrics that are identified in FY 2004 are subsequently verified and validated as described in OMB A-11: ([www.whitehouse.gov/omb/circulars/a11/2002/part6.pdf](http://www.whitehouse.gov/omb/circulars/a11/2002/part6.pdf))
- Align Component-specific strategic planning and performance management efforts, including Component performance plans, to mirror the DoD BSC for risk management described in MID 901.
- Ensure that Component-specific implementation plans for BPI are compatible with Section 6 of OMB Circular A-11.

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**Continuation of FY 2003 President's Budget Metrics**

In the FY 2003 President's Budget, the Department included performance metrics for four programs for which OMB required linkage of outputs to resources:

- Energy Conservation
- Family Housing
- Chemical Demilitarization
- Environmental Restoration

Components should continue to report metrics associated with these programs in the FY 2004 President's Budget justification materials. In particular, Components should link program-specific outputs with related funding levels.

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